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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 IO-14 ISO-00 STRE-00 AGRE-00
CEA-01 CIAE-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-15 SP-02 SOE-02
OMB-01 DOE-15 /141 W
----------035724 301517Z /46
R 291654Z MAR 78
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 538
INFO USDOC WASHDC
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY PARIS

UNCLAS TUNIS 2269

USOECD

USEEC

DEPT PASS STR AND TREASURY

E.O. 11652: N/A
TAGS: ECON, ETRD, TS
SUBJECT: GOT INSTITUTES NEW TAXES ON NON-
ESSENTIAL IMPORTS

1. TUNISIAN MINISTER OF COMMERCE SLAHEDDINE M'BAREK HELD NEWS CONFERENCE MARCH 25 TO ANNOUNCE IMPOSITION OF NEW TAX ("TAXE DE COMPENSATION") ON IMPORTS DEEMED LUXURY OR NON-ESSENTIAL GOODS. RECEIPTS WILL GO TO "CAISSE GENERALE DE COMPENSATION", FUND FROM WHICH SUBSIDIES ARE PAID ON CERTAIN CONSUMER ITEMS OF BASIC NECESSITY, (E.G., BREAD, VEGETABLE OIL, SCHOOL WRITING PAPER).
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2. M'BAREK CITED 15.4 PERCENT GROWTH IN TRADE DEFICIT OVER 1976, AND ALSO NEED FOR ADDITIONAL REVENUES FOR "CAISSE", AS REASONS FOR IMPOSITION OF NEW TAX. DEFICIT CLEARLY HAS BEEN PROBLEM. TUNISIAN IMPORTS LAST YEAR TOTALLED 758 MILLION DINARS ($1.8 BILLION) AND EXPORTS 390 MILLION DINARS ($.9 BILLION),

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RESULTING IN DEFICIT OF 368 MILLION DINARS
(3.86 BILLION) COMPARED WITH 319 MILLION DINARS
IN 1976. "IMPORT COVERAGE" BY EXPORTS WAS ONLY
51.5 PERCENT IN 1977.

3. TAX WILL BE PROGRESSIVE ONE RANGING FROM 5 PER-
CENT TO 300 PERCENT OF CIF VALUE ON IMPORTS OF NON-
ESSENTIAL AND LUXURY ITEMS. EXAMPLES CITED AS LUXU-
RIES, AND THEREFORE SUBJECT TO HIGH RATES, WERE ALCO-
HOLIC BEVERAGES, JEWELRY, GOLD, MARBLE, AND LARGE
AUTOMOBILES. THOSE CITED AS NON-ESSENTIALS SUBJECT TO LES-
SER RATES WERE PHOTOGRAPHIC EQUIPMENT, AIR CONDI-
TIONERS, MEDIUM-SIZE AUTOMOBILES, HOME HEATING UNITS,
CALCULATORS AND AUTO SPARE PARTS. NEW TAX IS CLAS-
SIFIED AS CUSTOM TAX AND IS IN ADDITION TO ALREADY
EXISITING IMPORT DUTIES. TAX WENT INTO EFFECT MARCH
23 AND IS APPLICABLE TO STOCKS OF IMPORTS NOT AL-
READY SOLD.

4. MINISTER SUGGESTED TAX WOULD APPLY TO ITEMS
WHICH LAST YEAR ACCOUNTED FOR LITTLE MORE THAN 18
PERCENT OF TUNISIAN IMPORTS, RAISING THEIR RETAIL
PRICES BY ESTIMATED 2 TO 80 PERCENT. HE POINTED OUT
THAT BULK OF TRADE NOT AFFECTED SINCE TAX EXEMPTS;
CAPITAL GOODS; RAW MATERIALS; BASIC FOOD PRODUCTS;
PRODUCTS OF EDUCATIONAL, SPORTS, CULTURAL OR SOCIAL
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CHARACTER; PRODUCTS NEEDED FOR TOURISM; AND AUTO-
MOBILES OF LESS THAN 6 HORSE POWER. WE HAVE OB-
TAINED ADVANCE COPY OF DECREE 78-315 OF MARCH 23
LISTING ALL ITMES SUBJECT TO NEW TAX. LIST RUNS TO
ABOUT 250 (FOUR DIGIT) TARIFF ITEMS AND GOES BEYOND
OBVIOUS LUXURY GOODS TO BROAD RANGE OF CONSUMER
GOODS INCLUDING ALCOHOLIC BEVERAGES, MANY FOOD
PRODUCTS, WOOD AND PAPER PRODUCTS, CLOTHING, GLASS,
CALCULATORS, TELEVISION AND RADIOS, AUTOMOBILES,
MOTORCYCLES, ETC.

5. COMMENT: EMBASSY HAS PREVIOUSLY REPORTED ON
GROWING TUNISIAN TRADE DEFICIT. THIS TAX--ALONG
WITH NEW FOCUS ON EXPORT PROMOTION--APPEARS TO BE
GOT RESPONSE UNDER NEWLY-ORGANIZED MINISTRY OF COM-
MERCE. (WHILE HIGHER TAXES AND THUS HIGHER PRICES
SHOULD LOWER COMSUMER DEMAND AND BRING IN ADDI-
TIONAL REVENUE, THESE ITEMS ALREADY ARE CONTROLLED
BY IMPORT AND FOREIGN EXCHANGE LICENSING.) ALSO
IMPORTANT IN EXPLAINING THIS MOVE IS KEY ROLE OF SUB-
SIDY FUND INGOT PRICES AND INCOMES POLICY ("SOCIAL
PACT"). FUND'S USE IN KEEPING DOWN WORKER'S COST

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OF LIVING IS CRITICAL TO ORGANIZED LABOR'S ACCEP-
TANCE OF ONLY MODEST INCREASES IN WAGE SCALES DURING
PERIOD OF FIFTY PLAN. (MAJOR ANNUAL WAGE NEGO-
TIATIONS GET UNDERWAY NEXT MONTH). ALSO IN BACK-
GROUND OF MOVE IS EVOLUTION OF DOMESTIC ECONOMY,
WITH GROWING DIVERSITY AND QUALITY OF TUNISIAN PRO-
DUCTION AND SOME SHIFT WOWARD IMPORT SUBSTITUTION
IN INDUSTRIAL DEVELOPMENT STRATEGY.

6. COPIES OF DECREE POUCHED TO STATE, USDO,
STR AND US MISSION GENEVA. MORE COMPLETE ANALYSIS WILL
FOLLOW BY AIRGRAM.
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Message Attributes

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Draft Date: 29 mar 1978
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 01 jan 1960
Disposition Event:
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Disposition Reason:
Disposition Remarks:
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To: STATE
Type: TE
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